

GENTRIFICATION COMMITTEE REPORT

JUNE 14, 2001

On May 3, 2001, the City Council voted to instruct the City Manager to update the March 10, 2000 staff report on **Gentrification and Neighborhood Planning**. City staff had prepared this report at the request of the Planning Commission. The City Council asked that members of the Planning Commission and the Community Development Commission participate in the update of the March 10, 2000 report, and that the report provided policy recommendations to the City Council for all of the items labeled “policy question”. The City Council also requested an examination of specific increases in the cost of housing identified in a resolution drafted by Council Member Raul Alvarez. The City Council requested that the update on Gentrification be provided to the City Council no later than June 14, 2001.

Following a transmittal memo from Mayor Kirk Watson on behalf of the entire City Council, Planning Commission Chair Betty Baker appointed Ben Heimsath, Silver Garza, and Sterling Lands to serve on the Gentrification Committee. Community Development Commission Chair Sabino Renteria appointed Karen Paup, Stella Flores, and Derrick Norris to serve as well. The City Manager designated the Neighborhood Housing and Community Development Office as the primary department providing staff support. The Neighborhood Planning and Zoning Department and the Transportation, Planning, and Design Department also supported this effort.

This report reflects the Gentrification Committee majority’s proposed recommendations on policy questions related to Gentrification as well as the latest staff updates on initiatives identified as “underway” in the March 10, 2000 report. It does not necessarily reflect the recommendations of all Gentrification Committee members, the majority of either the Planning Commission or the Community Development Commission, or City staff. Alternate staff recommendations may be provided under separate cover.

GOALS AND DEFINITIONS

The Gentrification Committee adopted the definition of “gentrification” contained in the Brookings Institution’s April 2001 report **Dealing With Neighborhood Change: A Primer on Gentrification and Policy Choices**. The Brookings Institution report establishes “equitable development” as the goal of neighborhood revitalization, “equitable development” being defined as *“the creation and maintenance of economically and socially diverse communities that are stable over the long term, through means that generate a minimum of transition costs that fall unfairly on lower income residents”*. The Gentrification Committee recommends that “equitable development” be the goal of Austin’s neighborhood revitalization efforts.

The Brookings Institution report contended that three specific conditions must all be present in a neighborhood before a particular neighborhood could be said to be undergoing gentrification. These conditions are:

- the displacement of original residents;
- the physical upgrading of the neighborhood, particularly of housing stock;
- a change in neighborhood character.

The report contends that a neighborhood could experience revitalization and/or reinvestment and not experience gentrification. In this context, “gentrification” is defined as *“the process by which higher income households displace lower income residents of a neighborhood, changing the essential character*

and flavor of that neighborhood". The Committee found that gentrification could occur in neighborhoods where lower income residents were displaced involuntarily by moderate or middle-income residents and in moderate or in middle income neighborhoods where existing renters and/or homeowners were displaced involuntarily by upper income residents. The Committee emphasized that both tenants and homeowners could be displaced involuntarily, and this finding was an expansion of the definition of "gentrification" from the March 10, 2000 report provided previously by City staff. **The Committee recommended that low income homeowners and renters (those who earn less than 50% Median Family Income) be a priority for public investment when the City attempts to mitigate the potential impacts of gentrification, for these are the neighborhood residents who are most vulnerable to voluntary displacement.** The Committee did not favor limiting all public investment exclusively to low income families, and suggested that other investments in housing and local businesses needed to occur to address concerns about changing neighborhood character.

The Committee adopted the staff recommendation that the United States Department of Housing and Urban Development (HUD) definitions of income groups form the basis of determining whether lower income families in a neighborhood were being involuntarily displaced by higher income families. HUD defines "very low income" as families at 30% Median Family Income (MFI); "low income" as 50% MFI; "moderate income" as 80% MFI; and "middle income" as families at 120% MFI. These definitions are based on family size; HUD published its latest income category guidelines for Austin on March 29, 2001.

The Committee discussed extensively the concept of "neighborhood". The Committee reviewed data based upon Neighborhood Planning areas as adopted by the City Council and in priority neighborhoods established by the City Council in the 2000-2005 Consolidated Plan. The Committee acknowledged that data was also available on a census tract basis. The Committee emphasized that Austin residents might define the boundaries of their respective neighborhoods differently than the way City planning areas is defined. The Committee suggested that the term "neighborhood" would need to be clearly defined before there could be agreement about whether gentrification was in process. For example, the Committee indicated that the Central East Austin planning area included the Guadalupe, Anderson Hill, and Blackshear neighborhoods. The review of trend data for Central East Austin planning area or Zip Code 78702 could provide a very different picture of neighborhood change dynamics than would be a more focused closer examination of this data within the Guadalupe, Anderson Hill, Blackshear or Swede Hill neighborhoods respectively might produce. This could also be true in Old West Austin, where the trends for the neighborhood as a whole could be different than the trend data in Clarksville. The same could also be true in the Upper Boggy Creek planning area where trends in the Blacklands neighborhood might be significantly different than the neighborhood as a whole. The definition of "neighborhood" is critical in establishing not only what change was occurring in Austin's neighborhoods over the past ten years, but also what changes would be likely if the City did not act to promote equitable development. The Committee suggested that defining "neighborhood" at the appropriate level could enable policy makers to anticipate where gentrification pressures may increase and not merely react to trends that become evident after income data from the 2000 census becomes available next year.

INDICATORS OF NEIGHBORHOOD CHANGE

The Committee recommended that the following comparative data from the 1990 census and 2000 census be examined to determine whether gentrification was likely to occur or was actually occurring:

1. Income
2. Ethnicity
3. Immigration Status
4. Homeownership/Rental
5. Housing Stock – Single Family/Multi Family
6. Eviction Rates
7. Housing Conditions
8. Multiple Listing Service Data on Changing Property Values
9. Status of Commercial Property
10. Mortgage Data
11. Small Business Administration Reports on Loans and Types of Businesses
12. Population Based on Age
13. Population Based on Education Level
14. Non-English Speaking Population

The Committee recognized that 2000 census data on income and homeownership/rental would not be available at the neighborhood level before June 14, 2001 and this would limit the trend analysis. The Committee did review the ethnicity data and concluded the following change dynamics were evident:

1. The largest population increases in white non-Hispanic households have occurred in the Riverside and Pleasant Valley neighborhood planning areas. These two neighborhoods had white population increases in the 594 – 2433 person range. Other planning areas experiencing significant increases in white population include North Burnet, Rosedale, North Loop, Triangle/State, Hyde Park, Hancock, Upper Boggy Creek, Hancock, MLK, Central East Austin, East Cesar Chavez, Old West Austin, Barton Hills, Zilker, Bouldin, and South River City. These neighborhoods experienced white population increases in the 53 – 593 person range.
2. The largest percentage decreases in African-American population have occurred in St. Johns, Pecan Springs/Springdale, MLK, MLK/183, Johnston Terrace, Rosewood, Central East Austin, and East Cesar Chavez. These neighborhoods experienced decreases in the African-American share of population in the range of 12.35% - 22.96%. Other significant decreases are occurring in Triangle/State, Windsor Park, University hills, RMMA, Upper Boggy Creek, Chestnut, Riverside, Montopolis, and Franklin Park. These neighborhoods experienced decreases in the African-American share of population in the 3.99% - 12.34% range.
3. The largest percentage decreases in Hispanic population occurred in Crestview, Brentwood, Triangle/State, North Loop, Hyde Park, Coronado Hills, Zilker, Bouldin, Galindo, St. Edwards, and East Congress. These neighborhoods experienced a decrease in Hispanic share of population in the 0.4% - 4.93% range.
4. In general, the number of white non-Hispanic residents appeared to be increasing significantly west of IH35 and in the multi-family, student neighborhoods along East Riverside Drive east of IH 35.

5. The number of Hispanic residents is increasing throughout the City, but the share of Hispanic households decreased in several neighborhood planning areas west of IH 35 and in Coronado Hills east of IH 35.
6. The biggest increases in the number of Hispanic residents occurred in North Austin Civic Association, St. Johns, Windsor Park, Riverside, and Franklin Park. These neighborhoods experienced increases in Hispanic residents in the 2454 – 7424 range. Other neighborhoods with large increases in Hispanic population include Wooten, North Lamar, Windsor Hills, Georgian Acres, Parker Lane, Pleasant Valley, and Montopolis. These neighborhoods experienced increases in Hispanic residents in the 1394 – 2453 range.

The Committee concluded that the proportion of Hispanic residents in many neighborhoods west of IH 35 appears to be decreasing, while the number of Hispanic residents is actually increasing. In the neighborhood planning areas east of IH 35 and west of US 183, the number of Hispanic residents appears to be increasing while the number of African-American residents is decreasing. Without comparative income and/or rental/homeownership data from the 1990 and 2000 census, the Committee is unable to determine definitively whether these trends indicate that higher income households are displacing lower income households. The Brookings Institution report suggests that change in ethnicity can be an indicator of “gentrification”, so the available census data suggests that mitigation may be required long before the income data from the 2000 census becomes available sometime in 2002.

The ethnicity data is significant because the Brookings Institution reported that gentrification is likely in neighborhoods with the following characteristics:

- High rate of renters
- Ease of access to job centers through freeways or public transportation
- High and increasing levels of population density
- High architectural values resulting from historically significant properties
- Comparatively low housing values

The Brookings Institution suggested that the following trends would indicate that gentrification is in progress:

- A shift from rental to homeownership
- An increase in downpayment ratios and a decline in FHA-financing
- An influx of households and individuals interested in specifically urban amenities (artists, young professionals, households without children)
- An influx of amenities that serve higher income levels (music venues, galleries, valet parking, coffeehouses)

Many of the neighborhood planning areas showing decreases in share of Hispanic and or African-American residents have some of the characteristics described above. Analyses at the neighborhood planning area, block, or census tract level could yield different answers to the question, “Is gentrification likely or is it already underway?” for the following reasons:

- The census tract level may be too large to see significant gentrification in some areas

- Block data may be more appropriate and readily available
- Neighborhood boundaries and Neighborhood Planning areas may overlap and yield different results

APPLYING THE FRAMEWORK

By adopting the Brookings Institution framework, the Committee reviewed the ten steps that the Brookings Institution identified as critical to mitigating the impacts of gentrification. These are neighborhood-based strategies, “because that is the level that gentrification plays itself out most directly.” These ten strategies require involvement from local government, the private sector, as well as not-for-profits. The ten steps include:

1. *Knowing the context and the growth dynamics to determine the extent which gentrification is a reality.* This means that a particular neighborhood may be changing its character in a variety of ways: because homeowners are replacing renters; property values, rents, or taxes are rising to the extent that current residents are being involuntarily replaced; rehabilitation or new construction on vacant lots is changing neighborhood character. Gentrification could be occurring if higher income people are displacing lower income residents involuntarily. **RECOMMENDATION:** Since the Brookings Institution report suggests that gentrification must be measured at the neighborhood level, the Committee found that “neighborhood” must be defined in a way that will allow policy makers to identify when gentrification is likely or in progress. This will allow policy makers to make investment and policy decisions that are proportionate to the level of risk of gentrification or to the stage of gentrification that is occurring already. Finally, the regulatory tools available to cities in Texas are different than those available to cities in other states. A best practice that addresses comparable gentrification impacts in a city in another state may not necessarily be replicated in Austin.
2. *Anticipate pressures; understand the dynamics of gentrification and conduct analysis.* The preliminary review of ethnicity trends in neighborhood planning areas has been completed. **RECOMMENDATION:** This review needs to be expanded to all neighborhoods and could include renter/homeowner trends and income change once the 2000 census information is available. The 1990 Census Data and information provided in the 2000 – 2005 Consolidated Plan that the Committee examined suggest where gentrification would likely occur. This information must be available to policy makers when investment and policy decisions are considered.
3. *Get organized.* Some neighborhoods have community-based organizations with the skills to mitigate the potential impact of gentrification, while other do not. **RECOMMENDATION:** A strategy for expanding the number and skills of neighborhood-based organizations needs to be developed.
4. *Develop a unified vision and implementation plan.* The Committee discussed the importance of retention and expansion of neighborhood-based businesses. The Committee highlighted the fact that the number of households in a neighborhood and the neighborhood’s income mix were a key element in whether businesses would be created or sustained in a particular neighborhood.

RECOMMENDATION: New and old residents must be involved in developing the vision. Equitable development requires a mix of homeownership and rental opportunities for families at different income levels. The development and/or retention of businesses that neighborhood residents want; the availability of social services; and the presence of other community amenities may make a neighborhood a likely candidate for gentrification or an example of equitable development.

5. *Implement regulatory and policy fixes.* The recommendations listed below as well as the suggestions in the S.M.A.R.T. Housing Annual Report (attached) create opportunities to promote equitable development. **RECOMMENDATION:** Neighborhoods with homeowners and residents at 50% Median Family Income or below must be the priority beneficiaries of these changes in policies and regulations. The timelines for City Council and Commission review listed below need to be examined prior to the development of a staff implementation plan that outlines how appropriate best practices become realities in Austin neighborhoods. Policy fixes will in some cases be anticipatory, and in other cases reactive. The regulatory adjustment should be proportionate to the level of risk of gentrification or the stage of gentrification in the particular neighborhood.
6. *Gain control of public/private property that can be taken out of the market and used for reasonably-priced housing and office space.* City Council action to designate City land on Oak Springs as surplus and the purchase of available land in Colony Park and Montopolis for S.M.A.R.T. Housing development are examples of the way Austin is moving in this direction. There may be additional opportunities for public and private investment that are result of recent State legislation that allows school districts and the State to make surplus land more readily available for “reasonably-priced” housing.
7. *Educate residents about their legal rights and home buying and selling strategies.* Council Member Raul Alvarez’s May 15, 2001 memo to the Committee emphasized how critical this step is in providing relief in areas where gentrification pressures may be most severe. He emphasized that programs must be developed to assist those who cannot be helped through existing City rehabilitation programs. **RECOMMENDATION:** Council Member Alvarez encouraged and the Committee recommends the development of a separate legal and financial assistance program that would (1) help people gain clear title to their property; (2) help people develop wills to avoid title disputes; and (3) help people move from contracts for deed to conventional mortgages. In addition, homeowners need clear information about opportunities for homestead or senior property tax exemptions. Tenants need clear information about their rights. Homebuying/selling workshops as well as credit counseling workshops are critical if renters are to become and remain homeowners. These workshops could provide training to current and prospective homebuyers in how to clear title problems and how to prepare wills to avoid title problems in the future.
8. *Improve public education.* Residents are more likely to remain in neighborhoods with better schools, and housing values increase when prospective homeowners recognize local schools with higher performance. **RECOMMENDATION:** Neighborhoods and schools must be partners in the planning that creates expanded housing opportunities if schools are expected to be able to serve a growing number of students.
9. *Prepare groups to negotiate.* **RECOMMENDATION:** Austin should continue to implement this in the Neighborhood Planning process.

10. *Create forums to resolve conflicts and unify the community.* Neighborhood planning teams may contribute to this process, as does the City through the mediation services it provides.

RECOMMENDATION: The availability of these services must continue to be emphasized by those charged with implementing the strategies concerning housing and economic development that may be adopted as a result of this Gentrification Report. The S.M.A.R.T. Housing requirement that applicants contact registered neighborhood associations before filing an application for zoning change or zoning variance creates the opportunity for conflict resolution prior to the formal public hearing process.

RECOMMENDATIONS

In addition to the recommendations listed above, the Committee suggests that the March 10, 2000 report be revised in the following ways:

1. That the definition of “gentrification” no longer be limited to low income renters, but be expanded to include all renters and homeowners who were involuntarily displaced by higher income residents.
The emphasis should remain on low income owners and renters (families at 50% Median family Income or below) who are most vulnerable as property values and associated rents and/or taxes rise in a neighborhood that is gentrifying.
2. That the Community Development Commission’s February 8, 2000 recommendation for a Balanced Growth Ordinance (attached) be adopted.
3. That the idea of Tax Increment Financing needs to be revisited in light of the September 7, 2000 City Council resolution to promote S.M.A.R.T. Housing sponsored by City Council Member Raul Alvarez. The adoption of the proposed Montopolis Neighborhood Plan and associated rezonings creates opportunities for significant economic development in the commercial corridors that the plan promotes. As land values rise when former single-family zoned lots are rezoned commercially and commercial amenities are built on these vacant tracts of land, the City has an opportunity to reinvest a portion of this new revenue to create the rental and homeownership opportunities that Montopolis residents have supported. This reinvestment would be consistent with the intent of the September 7, 2000 resolution, and the model could be replicated in other neighborhoods that may be experiencing severe gentrification pressures. Travis County and Austin Community College should be invited to participate in this discussion.
4. That the idea of a Community Land Trust must be evaluated given the recent state laws expanding the school district and State of Texas’ ability to make surplus property available for low and moderate income housing and the S.M.A.R.T. Housing policy requiring departments to identify surplus City property that could be available for S.M.A.R.T. Housing. The Planning Commission and the Community Development Commission could continue to work through a joint committee that reviews suggestions for use of surplus property prior to City Council action on a development proposal.
5. That a Lease-Purchase Program may provide increased opportunities for long-time neighborhood residents and their families to remain or return if “reasonably-priced” housing becomes more available where they prefer to live. This could enhance opportunities for low and moderate income residents to remain in the neighborhoods they prefer.

6. That Leasing Cooperatives may have limitations as a strategy due to lack of community acceptance of this strategy in some neighborhoods.
7. That a local One for One Replacement ordinance needs to be examined if the Community Development Commission resolution referenced in #2 above is adopted.
8. That consideration of Neighborhood Empowerment Zones needs to be evaluated in the context of the context of the recommendations concerning Tax Increment Financing described in #3 above.
9. That the Planning Commission develops a policy concerning proposed zoning changes and neighborhood plans that promotes equitable development. This should include consideration of incentive-based and mandatory approaches to increase the supply of “reasonably-priced” housing, particularly for families at or below 50% Median Family Income in neighborhoods most severely impacted by gentrification pressures. This discussion should include the potential use of a building moratorium as a tool of last resort in a neighborhood experiencing severe gentrification pressures. These discussions should recognize that inner-city development represents only a fraction of the total housing development in the region, and the proposed policies should not promote an increase in housing development outside the Austin city limits.
10. That information about available tax exemptions be widely disseminated, and that these exemptions be expanded to provide greater benefits for homeowners and renters who earn no more than 50% of Median Family Income.
11. That the S.M.A.R.T. Housing policy be revisited to address issues identified in the S.M.A.R.T. Housing Annual Report and to encourage greater incentives for new housing developments that serve homeowners and renters who earn no more than 50% Median Family Income.
12. That the cooperation between the Planning Commission and Community Development Commission continue in the form of a joint committee that works with City staff to continue to review the available data in a timely manner and evaluates the performance of those charged with implementing the elements of this report that the City Council adopts.

CODE AND POLICY CHANGES

The Committee reviewed changes offered in the S.M.A.R.T. Housing Annual report, by committees of the Planning Commission, and by others. As a result of this review, the Committee recommends the following timeline for reviewing proposed changes:

1. July 10, 2001 - Community Development Commission review and recommendations and Planning Commission committee reviews
2. July 17, 2001 - Planning Commission work session and action on the Gentrification Committee report and associated code changes
3. August 9, 2001 - City Council public hearing and action on code changes related to the Gentrification Report

The Gentrification Committee reviewed the following sources prior to offering these recommendations:

1. **Gentrification and Neighborhood Planning** (March 10, 2000 City staff report to the Planning Commission)
2. **Dealing With Neighborhood Change: A Primer on Gentrification and Policy Choices** (The Brookings Institution, April 2001)
3. **The Relationship Between Affordable Rental Housing and Market-Rate Home Values** (Public Investment, March 2001)
4. **Racial Change In The Nation's Largest Cities: Evidence from the 2000 Census**
5. **What Does 'Smart Growth' Really Mean?** (Anthony Downs, Planning Magazine 2001)
6. **Ethnicity Data from the 2000 Census** (City Demographer)
7. **Mixed-Income Housing** (Cityscape; HUD, 1997)
8. **Racially and Ethnically Diverse Urban Neighborhoods** (Cityscape, HUD, 1998)
9. **2000 – 2005 Consolidated Plan** (NHCD)
10. **2001- 2002 Action Plan** (NHCD)
11. **S.M.A.R.T. Housing Annual Report** (The Reviewer, NHCD, May 2001)

The Gentrification Committee reviewed other reports and documents supplied at the Committee's request or submitted by persons who attended the Committee meetings in May – June 2001.